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24445  
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SURFACE TRANSPORTATION BOARD

May 28, 2003

Secretary  
Surface Transportation Board  
1925 K Street, N.W.  
Washington, DC 20423-0001

Re: Documents for Recordation for Pinsly Railroad Company, et als

Dear Secretary:

We have enclosed an original and one copy/counterpart of the document(s) described below to be recorded pursuant to Section 11301 of Title 49 of the U.S. code.

This document is a Loan and Security Agreement, a primary document dated May 28, 2003.

The names and addresses of the parties to the document are as follows:

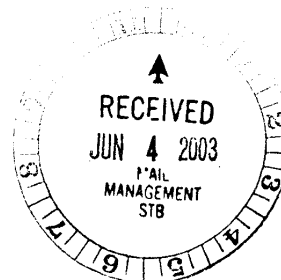
Debtors:

PINSLY RAILROAD COMPANY  
53 Southampton Road  
Westfield, MA 01085

ARKANSAS MIDLAND RAILROAD COMPANY, INC.  
314 Reynolds Road, Building 41  
Malvern, Arkansas

DEER PARK RAIL SERVICES, INC  
53 Southampton Road  
Westfield, MA 01085

FLORIDA CENTRAL RAILROAD COMPANY, INC.  
FLORIDA MIDLAND RAILROAD COMPANY, INC.



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Secretary  
Surface Transportation Board  
May 28, 2003  
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FLORIDA NORTHERN RAILROAD COMPANY, INC.  
3001 Orange Avenue  
Plymouth, FL

RAILROAD DISTRIBUTION SERVICES, INC. (Florida)  
Highway 17 North, Building 405  
Bartow Municipal Airport  
Bartow, FL

PIONEER VALLEY RAILROAD COMPANY, INC.  
100 Springdale Road  
Westfield, MA 01085

RAILROAD DISTRIBUTION SERVICES, INC. (Arkansas)  
314 Reynolds Road, Building 41  
Malvern, Arkansas

RAILROAD DISTRIBUTION SERVICES, INC. (Massachusetts)  
100 Springdale Road  
Westfield, MA 01085

Secured Party:

WESTFIELD BANK  
141 Elm Street  
Westfield, MA 01085

A description of the equipment covered by the document follows:

Various equipment including without limitation, the locomotives, cars and other rolling stock described on Exhibit A, attached hereto and made a part hereof, AS WELL AS ALL LOCOMOTIVES, CARS AND OTHER ROLLING STOCK NOW OWNED AND HEREAFTER ACQUIRED BY DEBTORS AFTER THE DATE OF THE LOAN AND SECURITY AGREEMENT DESCRIBED ABOVE:

A fee of \$30.00 is enclosed. Please return the original and any extra copies not needed by the Board for recordation to:

Paul M. Maleck, Esquire  
Doherty, Wallace, Pillsbury and Murphy, P.C.  
One Monarch Place, Suite 1900  
Springfield, MA 01144-1900

DOHERTY, WALLACE, PILLSBURY AND MURPHY, P.C.

Secretary  
Surface Transportation Board  
May 28, 2003  
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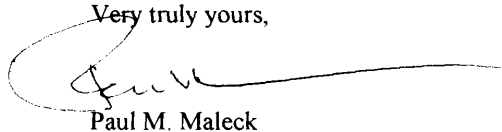
A short summary of the document to appear in the index follows:

A Loan and Security Agreement between the Debtors (listed above) and Westfield Bank, as Secured Party, dated May 28, 2003 and covering, inter alia, all equipment, including without limitation, the following amounts and types of equipment, AS WELL AS ALL LOCOMOTIVES, CARS AND OTHER ROLLING STOCK NOW OWNED OR HEREAFTER ACQUIRED BY DEBTOR AFTER THE DATE OF THE LOAN AND SECURITY AGREEMENT DESCRIBED ABOVE.

<u>Amounts:</u>	<u>Type(s) of Equipment</u>
25	Locomotives/Engines
3	Passenger Cars
23	Freight Cars
19	Miscellaneous Track Equipment

Please acknowledge the receipt and filing of the enclosed Loan and Security Agreement by returning to this office a date-stamped copy of this letter in the prepaid Federal Express envelope provided for this purpose.

Very truly yours,



Paul M. Maleck

PMM/jef

Enclosures: -Loan and Security Agreement (original and copy)  
-\$30.00 Check  
-Letter (copy)  
-Return Federal Express Envelope

cc: Allen J. Miles, III, Vice President  
Westfield Bank

**EXHIBIT A**

PINSLY RAILROAD COMPANY AND SUBSIDIARIES  
ROLLING STOCK

System	Road #	Company Name	Description	Reporting Mark	Model	Acquisition Date
7	077	ARKANSAS MIDLAND RAILROAD	LOCO #707	AKMD707	GP-8	03/01/92
5	077	ARKANSAS MIDLAND RAILROAD	LOCO #703	AKMD703	GP-8	03/01/92
4	077	ARKANSAS MIDLAND RAILROAD	LOCO #700	AKMD700	GP-8	03/01/92
47		ARKANSAS MIDLAND RAILROAD	CABOOSE			03/01/92
50		ARKANSAS MIDLAND RAILROAD	BOX CAR #2-OFFICE			
75		ARKANSAS MIDLAND RAILROAD	BOX CAR #1-OFFICE			
8	077	ARKANSAS MIDLAND RAILROAD	LOCO #722	AKMD722	GP-8	03/01/92
9	077	ARKANSAS MIDLAND RAILROAD	LOCO #728	AKMD728	GP-8	03/01/92
11	077	ARKANSAS MIDLAND RAILROAD	LOCO #918	AKMD918	GP-8	03/01/02
12	077	ARKANSAS MIDLAND RAILROAD	LOCO #726	AKMD726	GP-8	03/01/92
40		ARKANSAS MIDLAND RAILROAD	PUSH CART AL-92 (2 PCS)			09/23/92
44	077	ARKANSAS MIDLAND RAILROAD	LOCO #908	AKMD908	GP-8	11/12/92
175	077	ARKANSAS MIDLAND RAILROAD	LOCO #400	AKMD400	GP-10	12/09/99
176	077	ARKANSAS MIDLAND RAILROAD	LOCO #414	AKMD414	GP-10	12/09/99
213	077	ARKANSAS MIDLAND RAILROAD	LOCO #2500	AKMD2500	GP-35	06/17/02
225		ARKANSAS MIDLAND RAILROAD	6 BOXCARS			12/23/02
226	986	ARKANSAS MIDLAND RAILROAD	LOCO #2501	FCEN207	GP-35	04/25/03
18	986	FLORIDA CENTRAL RAILROAD	LOCO #53	FCEN53	CF-7	09/01/87
27		FLORIDA CENTRAL RAILROAD	BOXCAR			04/01/88
29		FLORIDA CENTRAL RAILROAD	CABOOSE			12/01/88
30		FLORIDA CENTRAL RAILROAD	BOXCAR			12/01/88
31		FLORIDA CENTRAL RAILROAD	BOXCAR - DEPOT			01/01/89
4	986	FLORIDA CENTRAL RAILROAD	LOCO #47	FCEN47	CF-7	06/01/89
10	986	FLORIDA CENTRAL RAILROAD	LOCO #55	FCEN55	GP-7	09/01/89
11	986	FLORIDA CENTRAL RAILROAD	LOCO #57	FCEN57	GP-7	09/01/89
34		FLORIDA CENTRAL RAILROAD	FLAT CAR			09/06/90
84	986	FLORIDA CENTRAL RAILROAD	LOCO #63	FCEN63	CF-7	07/01/93
92		FLORIDA CENTRAL RAILROAD	CABOOSE			10/30/94
93		FLORIDA CENTRAL RAILROAD	CABOOSE			10/30/94
99	986	FLORIDA CENTRAL RAILROAD	LOCO #49	FCEN49	CF-7	02/24/95

PINSLY RAILROAD COMPANY AND SUBSIDIARIES  
ROLLING STOCK

System	Road #	Company Name	Description	Reporting Mark	Model	Acquisition Date
104		FLORIDA CENTRAL RAILROAD	DINNER CAR #303			09/01/96
122	986	FLORIDA CENTRAL RAILROAD	LOCO #65	FCEN65	CF-7	03/24/97
139	986	FLORIDA CENTRAL RAILROAD	LOCO #50	FCEN50	CF-7	06/30/98
151		FLORIDA CENTRAL RAILROAD	BALLAST DOORS			02/22/99
153	986	FLORIDA CENTRAL RAILROAD	LOCO #56	FCEN56	CF-7	05/15/99
176		FLORIDA CENTRAL RAILROAD	SAM 1899			10/31/01
192	077	FLORIDA CENTRAL RAILROAD	LOCO #493	AKMD493	CF-7	12/15/02
8		FLORIDA MIDLAND RAILROAD	CABOOSE			10/01/87
12		FLORIDA MIDLAND RAILROAD	BOX CAR			02/01/88
36	611	PIONEER VALLEY RAILROAD	LOCO #2558	PVRR2558	CF-7	07/01/85
37	611	PIONEER VALLEY RAILROAD	LOCO #2597	PVRR2597	CF-7	07/01/85
46	611	PIONEER VALLEY RAILROAD	LOCO #2647	PVRR2647	CF-7	07/01/86
40		PIONEER VALLEY RAILROAD	BOX CAR			06/01/88
108		PIONEER VALLEY RAILROAD	10 BOXCARS			03/20/98
128		PIONEER VALLEY RAILROAD	DINNER CAR #302			09/01/01

REGISTRATION NO. 24445 FILED

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SURFACE TRANSPORTATION BOARD

## LOAN AND SECURITY AGREEMENT

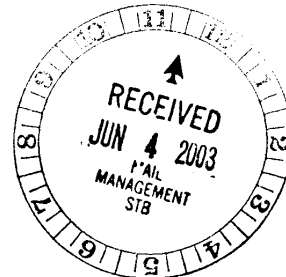
by and between

PINSLY RAILROAD COMPANY  
ARKANSAS MIDLAND RAILROAD COMPANY, INC.  
DEER PARK RAIL SERVICES, INC.  
FLORIDA CENTRAL RAILROAD COMPANY, INC.  
FLORIDA MIDLAND RAILROAD COMPANY, INC.  
FLORIDA NORTHERN RAILROAD COMPANY, INC.  
RAILROAD DISTRIBUTION SERVICES, INC. (a Florida corporation)  
PIONEER VALLEY RAILROAD COMPANY, INC.  
RAILROAD DISTRIBUTION SERVICES, INC. (an Arkansas corporation)  
RAILROAD DISTRIBUTION SERVICES, INC. (a Massachusetts corporation)  
as "Borrowers"

and

WESTFIELD BANK

May 28, 2003



## LOAN AND SECURITY AGREEMENT

LOAN AND SECURITY AGREEMENT made this 28 day of May, 2003, by and between PINSLY RAILROAD COMPANY, a Delaware corporation with a usual address of 53 Southamptton Road, Westfield, Massachusetts ("Pinsly"), ARKANSAS MIDLAND RAILROAD COMPANY, INC., a Delaware corporation with a usual address of 314 Reynolds Road, Building 41, Malvern, Arkansas ("Arkansas Midland"), DEER PARK RAIL SERVICES, INC., a Texas corporation with a usual address of 53 Southamptton Road, Westfield, Massachusetts ("Deer Park"), FLORIDA CENTRAL RAILROAD COMPANY, INC. ("Florida Central"), FLORIDA MIDLAND RAILROAD COMPANY, INC. ("Florida Midland"), FLORIDA NORTHERN RAILROAD COMPANY, INC. ("Florida Northern"), all Florida corporations with a usual address of 3001 Orange Avenue, Plymouth, Florida, RAILROAD DISTRIBUTION SERVICES, INC., a Florida corporation with a usual address of Highway 17 North, Building 405, Bartow Municipal Airport, Bartow, Florida ("Railroad Distribution – Florida"), PIONEER VALLEY RAILROAD COMPANY, INC., a Nevada corporation with a usual address of 100 Springdale Road, Westfield, Massachusetts ("Pioneer Valley"), RAILROAD DISTRIBUTION SERVICES, INC., an Arkansas corporation with a usual address of 314 Reynolds Road, Building 41, Malvern, Arkansas ("Railroad Distribution – Arkansas") and RAILROAD DISTRIBUTION SERVICES, INC., a Massachusetts corporation with a usual address of 100 Springdale Road, Westfield, Massachusetts ("Railroad Distribution – Massachusetts") (Pinsly, Arkansas Midland, Deer Park, Florida Central, Florida Midland, Florida Northern, Railroad Distribution – Florida, Pioneer Valley, Railroad Distribution – Arkansas and Railroad Distribution – Massachusetts, are hereinafter collectively referred to as the "Borrowers") and WESTFIELD BANK, a Massachusetts bank with a usual place of business at 141 Elm Street, Westfield, Massachusetts (the "Bank").

## AGREEMENT

In consideration of the mutual covenants herein contained, it is agreed as follows:

### 1. DEFINITIONS AND ACCOUNTING TERMS.

1.1 Defined Terms. As used in this Agreement, the following terms have the following meanings (terms defined in the singular to have the same meaning when used in the plural and vice versa):

"Agreement" means this Loan and Security Agreement, as amended, supplemented, or modified from time to time.

"Borrowers" shall mean collectively the Borrowers as defined above and any other Person who may become obligated for the Obligations (as hereinafter defined).

“Business Day” means any day other than a Saturday, Sunday, or other day on which commercial banks in Massachusetts are authorized or required to close under the laws of The Commonwealth of Massachusetts.

“Code” means the Internal Revenue Code of 1986, as amended from time to time, and the regulations and published interpretations thereof.

“Collateral” shall have the meaning as assigned to it in Section 6.

“Commitment Letter” shall mean that Commitment Letter dated August 9, 2002, Restated February 4, 2003, Restated April 22, 2003 and Restated on May 28, 2003 from the Bank and accepted by Borrowers.

“Debt” means (1) indebtedness or liability for borrowed money; (2) obligations evidenced by bonds, debentures, notes, or other similar instruments; (3) obligations for the deferred purchase price of property or services (including trade obligations); (4) obligations as lessee under capital leases; (5) obligations under letters of credit; (6) obligations under acceptance facilities; (7) all guaranties, endorsements (other than for collection or deposit in the ordinary course of business), and other contingent obligations to purchase, to provide funds for payment, to supply funds to invest in any Person or entity, or otherwise to assure a creditor against loss; and (8) obligations secured by any Liens, whether or not the obligations have been assumed.

“Default” means any of the events specified in Section 12, whether or not any requirement for the giving of notice, the lapse of time, or both, or any other condition, has been satisfied.

“Event of Default” means any of the events specified in Section 12, provided that any requirement for the giving of notice, the lapse of time or both, or any other condition, has been satisfied.

“GAAP” means generally accepted accounting principles consistently applied, in accordance with financial reporting standards from time to time in effect among nationally recognized certified public accounting firms in the United States.

“Insolvent” - The Borrowers shall be considered to be “Insolvent” when any of the following events shall have occurred whereby any of the Borrowers (a) shall generally not pay, or shall admit in writing its inability to pay its debts as such debts become due; or (b) shall make an assignment for the benefit of creditors, or petition or apply to any tribunal for the appointment of a custodian, receiver, or trustee for it or a substantial part of its assets; or (c) shall commence any proceeding under any bankruptcy, reorganization, arrangement, readjustment of debt, dissolution, or liquidation law or statute of any jurisdiction, whether now or hereafter in effect; or (d) shall have had any such petition or application filed or any such proceeding commenced against it in which an order for relief is entered or an adjudication or appointment is made, and which remains undismissed for a period of ninety (90) days or more; or (e) shall file an answer



in any such proceeding indicating its consent to, approval of, or acquiescence in any such petition, application, proceeding, or order for relief or the appointment of a custodian, receiver, or trustee for all or any substantial part of its properties; or (f) shall suffer any such custodianship, receivership, or trusteeship to continue undischarged for a period of ninety (90) days or more;

“Investment Portfolio” shall have the same meaning as assigned to it in Section 4.4.7.

“Letters of Credit Facility” means the Letters of Credit Facility issued by the Bank in the aggregate amount of up to Five Million Nine Hundred Thousand (\$5,900,000.00) Dollars as described in Section 3.

“Lien” means any mortgage, deed of trust, pledge, security interest, hypothecation, assignment, deposit arrangement, encumbrance, lien (statutory or other), or preference, priority, or other security agreement or preferential arrangement, charge, or encumbrance of any kind or nature whatsoever (including, without limitation, any conditional sale or other title retention agreement, any financing lease having substantially the same economic effect as any of the foregoing, and the filing of any financing statement under the Uniform Commercial Code or comparable law of any jurisdiction to evidence any of the foregoing).

“Loan” or “Loans” shall collectively mean the Revolving Loan and the Letters of Credit Facility as the same may be modified and/or amended from time to time and such other loans as the Bank may make to the Borrowers in the future from time to time.

“Loan Account” shall mean the account upon the books of the Bank in which will be recorded all loans made by the Bank to the Borrowers pursuant to this Agreement, all payments made on such Loans and other appropriate debits and credits.

“Loan Documents” means this Agreement, the Letters of Credit Facility, the Note and other documents related to the transactions discussed in this Agreement as the same may be amended, modified or supplemented from time to time.

“Net Worth” shall have the same meaning as assigned to it in Section 11.3.1.

“Note” or “Notes” shall collectively mean the Revolving Note in the principal amount of up to Two Million Three Hundred Thousand (\$2,300,000.00) Dollars, as the same may be amended, supplemented and modified from time to time and all other notes executed and delivered by the Borrowers to the Bank from time to time.

“Obligation” and “Obligations” shall mean any and all liabilities and obligations of the Borrowers to the Bank of every kind and description, direct or indirect, absolute or contingent, primary or secondary, due or to become due, arising hereunder or hereafter arising, regardless of how they arise or by what agreement or instrument they may be evidenced or whether evidenced by any agreement or instrument, and includes

obligations to perform acts and refrain from taking action as well as obligations to pay money.

“Person” means an individual, partnership, corporation, business trust, joint stock company, trust, unincorporated association, joint venture, governmental authority, or other entity of whatever nature.

“Principal Office” means the Bank’s office at 141 Elm Street, Westfield, Massachusetts.

“Regulation D” means Regulation D of the Board of Governors of the Federal Reserve System as amended or supplemented from time to time.

“Revolving Loan” or “Revolving Line of Credit Loan” shall mean the Demand Revolving Business Credit Loan more particularly described in Section 2.

“Revolving Note” shall mean the Demand Revolving Business Credit Note in the original principal amount of up to Two Million Three Hundred Thousand (\$2,300,000.00) Dollars, executed by the Borrowers in favor of the Bank.

“Subordinated Debt” shall have the same meaning as assigned to it in Section 11.3.1.

“Title Company” means the title company or companies specified by the Bank together with such reinsurers of such title company or companies or such other Title Companies as may be approved by the Bank.

1.2 “Accounting Terms”. All accounting terms not specifically defined herein shall be construed in accordance with GAAP consistent with those applied in the preparation of the financial statements referred to in Section 11, and all financial data submitted pursuant to this Agreement shall be prepared in accordance with such principles.

2. AMOUNT AND TERMS OF UP TO \$2,300,000 DEMAND REVOLVING BUSINESS CREDIT LOAN

2.1 Revolving Line of Credit Loan. Provided a Default is not occurring or does not exist, from time to time the Bank shall make a Revolving Loan(s) to Borrowers of such amounts as Borrowers may request and the Bank may reasonably approve; *provided, however*, that the aggregate principal amount of all Revolving Loans at any time outstanding shall not exceed Two Million Three Hundred Thousand (\$2,300,000.00) Dollars. The Revolving Loan will be evidenced by a Demand Revolving Business Credit Note in substantially the same form as Exhibit 2.1 attached hereto.

2.1.1 Interest Rate. The Revolving Loan will be made available with interest, at the Borrowers election, equal to:

- (x) the Variable Rate as defined below in Section 2.6.12, as such rate changes from time to time and as such rate is announced from time to time; or
- (y) the Libor Rate as defined below in Section 2.6.5.

2.1.2 Repayment. Beginning on the day which is thirty (30) days from the date hereof, the Borrowers will pay to the Bank interest only monthly in arrears on the outstanding principal balance during the previous payment period. The outstanding amount of the Revolving Loan shall be presumptively evidenced by the Bank's records of disbursements and repayments. The Borrowers and any endorser(s) or guarantor(s) of the Revolving Note agree that the Bank may, in its reasonable discretion, and only through the undersigned officer of the Bank (or in the undersigned officer's absence another officer of the Bank), make loan advances of the principal amount of the Revolving Note to Borrowers upon written or verbal authority of any officer executing Banking Resolutions on behalf of Borrowers. The Bank may deliver Revolving Loan proceeds by direct deposit to any demand deposit account of the Borrowers with the Bank or otherwise, as so authorized, and all such Revolving Loan advances as evidenced by the Revolving Note and any amendment thereto shall represent binding obligations of the Borrowers and any endorser(s) or guarantor(s) thereunder.

2.2 Use of Proceeds. The proceeds of the Revolving Loan hereunder shall be used to provide the Borrowers with working capital and/or capital improvements and other reasonable business needs. The Borrowers will not, directly or indirectly, use any part of such proceeds for the purpose of purchasing or carrying any margin stock within the meaning of Regulation U of the Board of Governors of the Federal Reserve System or to extend credit to any Person for the purpose of purchasing or carrying any such margin stock, or for any purpose which violates, or is inconsistent with, Regulation X of such Board of Governors.

2.3 Prepayment. The Revolving Loan may be prepaid in whole or in part at any time without charge with accrued interest to the date of such prepayment on the amount prepaid, except if any advance shall be held upon a Libor Advance (as defined below), then a yield maintenance fee and other prepayment penalties may apply as set forth in the Revolving Note.

2.4 Late Payment. Any payment on the Revolving Loan received more than ten (10) days after its due date shall be subject to an additional charge of five percent (5.00%) of the amount due.

2.5 Interest At Demand or Default. Upon the occurrence and during the continuance of an Event of Default, interest shall be charged upon the then outstanding principal balance and any interest accrued up to the date of such Event of Default or after demand, as the case may be, to the extent permitted by law, at a variable rate equal to the aggregate of the rate in effect under the Revolving Note plus five (5%) percent.

2.6 Certain Definitions and Provisions Relating to the Interest Rates:

- 2.6.1 Adjusted LIBOR. The term “Adjusted LIBOR” means for each Interest Period the rate per annum obtained by dividing (i) LIBOR for such Interest Period, by (ii) a percentage equal to one hundred percent (100%) minus the maximum reserve percentage applicable during such Interest Period under regulations issued from time to time by the Board of Governors of the Federal Reserve System for determining the maximum reserve requirements (including, without limitation, any basic, supplemental, marginal and emergency reserve requirements) for Lender (or of any subsequent holder of the Revolving Note which is subject to such reserve requirements) in respect of liabilities or assets consisting of or including Eurocurrency liabilities (as such term is defined in Regulation D of the Board of Governors of the Federal Reserve System) having a term equal to the Interest Period.
- 2.6.2 Business Day. The term “Business Day” means, in respect of any date that is specified in the Revolving Note to be subject to adjustment in accordance with applicable Business Day Convention, a day on which commercial banks settle payments in New York if the payment obligation is calculated by reference to any (i) LIBOR Rate or (ii) New York, if the payment obligation is calculated by reference to any Prime Rate.
- 2.6.3 Dollars. The term “Dollars” or “\$” means lawful money of the United States.
- 2.6.4 LIBOR Advance or LIBOR Loan. The terms “LIBOR Advance” or “LIBOR Loan” mean any principal outstanding under the Revolving Note which pursuant to the Revolving Note bears interest at the LIBOR Rate.
- 2.6.5 LIBOR Rate. The term “LIBOR Rate” means the per annum rate equal to the Adjusted LIBOR Rate plus one hundred seventy five (175) basis points (for the 30, 60, 90, 180 or 360 day period selected).
- 2.6.6 Interest Period.
- (A) The term “Interest Period” means, with respect to each LIBOR Advance, a period of 30, 60, 90, 180 or 360 consecutive days. If the last day of an Interest Period would otherwise occur on a day which is not a Business Day, such Interest Period shall be extended to the next succeeding Business Day; but if such extension would otherwise cause such last day to occur in a new calendar month, then such last day shall occur on the next preceding Business Day.
- (B) The term “Interest Period” shall mean with respect to each Variable Rate Advance consecutive periods of one (1) day each.
- 2.6.7 LIBOR. The term “LIBOR” means, with respect to each Interest Period, the rate per annum (rounded upward, if necessary, to the nearest 1/32 of one percent) as determined on the basis of the offered rates for deposits in U.S.

Dollars, for a period of time comparable to such Interest Period, which appears on the in the Wall Street Journal (Eastern Edition) or comparable sources of indexes as may be selected by the Bank on the day of any such LIBOR Advance.

- 2.6.9 Modified Following Business Day Convention. The term “Modified Following Business Day Convention” shall mean the convention for adjusting any relevant date if it would otherwise fall on a day that is not a Business Day. The following terms, when used in conjunction with the term “Modified Following Business Day Convention”, and a date, shall mean that an adjustment will be made if that date would otherwise fall on a day that is not a Business Day so that the date will be the first following day that is a Business Day.
- 2.6.10 Present Value. The term “Present Value” means the value as of the last day of the applicable Interest Period discounted to the date of prepayment using the Treasury Rate.
- 2.6.11 Treasury Rate. The term “Treasury Rate” means, as of the date of any calculation or determination, the latest published rate on United States Government Securities (Bills issued on a discounted basis shall be converted to a bond equivalent) as published weekly in the Federal Reserve Statistical Release H.15(519) of Selected Interest Rates in an amount which approximates (as determined by Lender) the amount of any LIBOR Advance, or part thereof, which is prepaid and with a maturity closest to the end of the Interest Period of the LIBOR Advance which is prepaid in whole or in part.
- 2.6.12 Variable Rate. The term “Variable Rate” means a per annum rate equal at all times to the Prime Rate as published in the Wall Street Journal (Eastern Edition), per annum, with changes therein to be effective simultaneously with any change in the Prime Rate.
- 2.6.13 Variable Rate Advance. The term “Variable Rate Advance” means any principal amount outstanding under the Revolving Note which pursuant to the Revolving Note bears interest at the Variable Rate.
- 2.6.14 Minimum Amount of Libor Rate Principal Advances. Any advance under the Revolving Loan when based upon a Libor Rate of interest shall be in a minimum amount of One Hundred Thousand (\$100,000.00) Dollars.

2.7 Annual Review. The Revolving Loan shall be available as of the date set forth above and the Bank shall annually review the Revolving Note on May 31 of each year, beginning on May 31, 2004 at which time availability hereunder may be terminated, extended or modified at the discretion of the Bank.

2.8 Requests to Term Out a Portion of the Revolving Loan. In the event that the Borrowers request a portion of the Revolving Loan to be termed out, the Bank will consider such request and the availability of the Revolving Loan shall be reduced on a dollar-for-dollar basis.

3. LETTER OF CREDIT FACILITY.

3.1 Letter of Credit Facility. The Bank will make available to the Borrowers, singularly or cumulatively, a Letter of Credit Facility in the aggregate principal amount of up to FIVE MILLION NINE HUNDRED THOUSAND AND 00/100 (\$5,900,000.00) DOLLARS (the "Facility" or "Letter of Credit Facility"). The Letter of Credit Facility will be evidenced by six (6) separate Letters of Credit (the "Letters of Credit") as follows: (i) a Letter of Credit in the face amount of \$730,631.00 issued to James E. Levine; (ii) a Letter of Credit in the face amount of \$425,285.00 issued to James E. Levine; (iii) a Letter of Credit in the face amount of \$882,833.00 issued to Anne L. Levine; (iv) a Letter of Credit in the face amount of \$639,303.00 issued to Anne L. Levine; (v) a Letter of Credit in the face amount of \$1,793,535 issued to Marc R. Levine; and (vi) a Letter of Credit in the face amount of \$1,390,000.00 issued to Marjorie P. Silver. The Borrowers shall execute a Letter of Credit Application with its request to the Bank for issuance of each of the Letters of Credit. Such Letter of Credit and Application shall be in the form set forth in Exhibit 3.1 attached hereto.

3.2 Use of Proceeds. The Letter of Credit Facility shall be used by the Borrowers for the purpose of providing security to the redeeming shareholders named in Section 3.1 above (the "Redeeming Shareholders") in conjunction with various stock redemption agreements and promissory notes made by Pinsly in favor of such Redeeming Shareholders.

3.3 Letter of Credit Facility Fee. There shall be an annual issuance fee equal to one (1.00%) percent of the aggregate amount of the Letter of Credit Facility (then outstanding on a year-to-year basis) payable at closing and each year thereafter that the Bank continues to provide the Facility.

4. CONDITIONS PRECEDENT TO INITIAL ADVANCE.

The obligation of the Bank to make the Loans shall be subject to the conditions precedent that the Bank shall have received on or before the day of such Loans each of the following, in form and substance satisfactory to the Bank and its counsel:

4.1 Execution of Note and Application for Letters of Credit. The Note and Application for the Letters of Credit duly executed by the Borrowers.

4.2 Evidence of Borrowers Authority and Incumbency of Representatives. Certified (as of the date of this Agreement) copies of all corporate action taken by each of the Borrowers, including resolutions of the Board of Directors of each of the Borrowers, authorizing the execution, delivery, and performance of the Loan Documents to which it is a party and each other document to be delivered pursuant to this Agreement together with a certificate (dated as of the date of this Agreement) of the Clerk of each of the Borrowers certifying the names and true

signatures of the officers of each of the Borrowers authorized to sign the Loan Documents to which it is a party and the other documents to be delivered by the Borrowers under this Agreement.

4.3 Opinion. A favorable opinion of Doherty, Wallace, Pillsbury and Murphy, P.C. as counsel for the Borrowers, dated the date of the Loans and Facility as to such matters as the Bank may reasonably request.

4.4 Other Related Documents. The Bank shall have received such other approvals, opinions, certificates or documents as the Bank may reasonably request, including:

4.4.1 Insurance. The policies of casualty and liability insurance required by the provisions of Section 9.5 herein.

4.4.2 Permits, Licenses and Approvals. Evidence that the Borrowers have obtained all necessary licenses, permits and approvals for the occupancy, use and operation of their Properties.

4.4.3 Cross-Default and Cross-Collateralization Agreement. All obligations and all security pledged in conjunction with the Loans and all other indebtedness as made by the Borrowers at the Bank shall be cross-defaulted and cross-collateralized with one another pursuant to a separate agreement.

4.4.4 Landlord Waivers. Properly and duly executed Landlord Waivers from all of the appropriate landlords of the Borrowers.

4.4.5 Other Related Documents. The Bank shall have received such other approvals, opinions, certificates or documents as the Bank may reasonably request.

4.4.6 UCC Eagle 9 Title Insurance Policy. A UCC Eagle 9 Title Policy insuring the priority and perfection of all Collateral (excluding, however, any real estate whether owned or leased, motor vehicles and the Borrowers investment account with a current market value of approximately \$220,000.00 (the "Investment Portfolio")).

4.4.7 First Position Security Interest in Rolling Stock. A report from Alvord & Alvord that the Bank's lien in the Borrower's rolling stock will constitute a valid first positioned security interest.

4.5 Automatic Debit Agreement. The execution of an Automatic Debit Agreement by the Borrowers in order for the principal and interest for the Revolving Loan to be automatically deducted at the Bank, on a monthly basis.

## 5. PROMISE TO PAY.

The Borrowers promise to pay:

5.1 Obligations. All Obligations of the Borrowers to the Bank, including, but not limited to, the Obligations evidenced by the Note and Letter of Credit Facility, both of even date, with interest at the rates set forth or in the manner determined in accordance with the aforesaid Note and Letter of Credit Facility; and

5.2 Taxes. Any and all taxes, charges and expenses of every kind or description which are the Obligations of the Borrowers, paid or incurred by the Bank with respect to the loans or financial accommodations made or any Collateral therefor, or the collection or realization upon the same, together with interest thereon at the highest rate permitted by law.

6. SECURITY INTEREST GRANTED; COLLATERAL; AUTHORIZATION TO FILE FINANCING STATEMENTS.

6.1 Grant of First Security Interest; Collateral of Borrowers. In consideration of the Loans, and other financial accommodations made to the Borrowers by the Bank, each of the Borrowers hereby grants to the Bank a first security interest in all of their tangible and intangible assets, as more particularly described in Schedule A attached hereto, in the products and proceeds thereof, in all accessions and additions thereto, and in all replacement and substitutions therefor, including, without limitation, all rolling stock of the Borrowers, as more particularly described in Schedule A-1 attached hereto, all of which, whether now owned or hereafter acquired shall be collectively referred to as the "Collateral". The security interest is hereby granted in order to secure payment and performance of all of Borrowers' Obligations including, without limitation, the Revolving Note, the Letter of Credit Facility and all future debts, liabilities, advances and other Obligations of the Borrowers to the Bank.

6.2 Authorization to File Financing Statements. The Borrowers hereby irrevocably authorizes the Bank at any time and from time to time to file in any Uniform Commercial Code jurisdiction any initial financing statements and amendments thereto that (a) indicate the Collateral (i) as the applicable assets of the Borrowers or words of similar effect, regardless of whether any particular asset comprised in the Collateral falls within the scope of Article 9 of the Uniform Commercial Code of the Commonwealth of Massachusetts or such jurisdiction that is applicable to the Borrowers, or (ii) as being of an equal or lesser scope or with greater detail, and (b) contain any other information required by part 5 of Article 9 of the Uniform Commercial Code of the Commonwealth of Massachusetts for the sufficiency or filing office acceptance of any financing statement or amendment, including (i) whether the respective Borrower is an organization, the type of organization and any organization identification number issued to the respective Borrower and, (ii) in the case of a financing statement filed as a fixture filing or indicating Collateral as as-extracted collateral or timber to be cut, a sufficient description of the real property to which the Collateral relates. The Borrowers agree to furnish any such information to the Bank promptly upon request.

7. THE BANK AS THE BORROWERS' ATTORNEY.

Upon the occurrence and continuing of an Event of Default, the Borrowers hereby irrevocably appoint the Bank the true and lawful attorney of the Borrowers with full power of substitution, coupled with an interest, in the name of the Bank but at the sole expense of the



Borrowers, (a) to demand, collect, receive payment of, receipt for, settle, compromise or adjust, and give discharges and releases in respect of the Borrowers' accounts receivable (the "Accounts Receivable"); (b) to commence and prosecute any suits, actions or proceedings at law or in equity in any court of competent jurisdiction to collect the Accounts Receivable or any of them and to enforce any other rights in respect thereof or in respect of the goods which have given rise thereto; (c) to defend any suit, action or proceeding brought against the Borrowers in respect of any Account Receivable or the goods which have given rise thereto; (d) to settle, compromise or adjust any suit, action or proceeding described in clause (b) or (c) above and, in connection therewith, to give such discharges or releases as the Bank may deem appropriate; (e) to endorse checks, notes, drafts, acceptances, money orders, bills of lading, warehouse receipts or other instruments or documents evidencing or securing the Accounts Receivable or any of them; (f) to receive, open and dispose of all mail relating to the Accounts Receivable addressed to the Borrowers to such address, care of the Bank, as the Bank may designate; and (g) generally to sell, assign, transfer, pledge, make any agreement in respect of or otherwise deal with an Account Receivable, the Collateral or the goods which have given rise thereto as fully and completely as though the Bank were the absolute owner thereof for all purposes. The powers conferred on the Bank by this Agreement are solely to protect the interest of the Bank and shall not impose any duty upon the Bank to exercise any such power, and if the Bank shall exercise any such power, it shall be accountable only for amounts that it actually receives as a result thereof and shall not be responsible to the Borrowers except for willful misconduct or negligence, or breach of this Agreement. The Bank shall be under no obligation to take steps necessary to preserve rights in any Collateral against prior parties but may do so at its option. The Bank may at its option transfer at any time to itself or to its nominee any securities held as Collateral hereunder and receive the income thereon and hold the same as Collateral hereunder and may at any time after the occurrence of an Event of Default and after the expiration of any applicable grace and cure periods notify the Account Debtors on any Accounts Receivable or the obligor on any other Collateral of the Bank's security interest therein and instruct such Account Debtors and Borrowers to make all future payments thereon to the Bank. At its option, the Bank may discharge any taxes, liens, security interests or other encumbrances to which any Collateral is at any time subject, and may, upon the failure of the Borrowers so to do, purchase insurance on any Collateral and pay for the repair, maintenance or preservation thereof, and the Borrowers agree to reimburse the Bank on demand for any reasonable payments made or expenses incurred by the Bank pursuant to the foregoing authorization, and authorizes the Bank to charge the Loan Account for the amount of such payments or expenses. The Bank may at any time take control of any proceeds of Collateral to which the Bank is entitled hereunder or under applicable law.

8. REPRESENTATIONS AND WARRANTIES OF THE BORROWERS.

To induce the Bank to enter into this Agreement, the Borrowers represent and warrant as follows (in each case, such representation and warranty to be as of the date of this Agreement):

8.1 Corporate Existence; Authority; Standing of the Borrowers. The Borrowers are all corporations duly organized, validly existing and in good standing under the laws of the respective states in which each is incorporated. The Borrowers have full corporate power to own their properties and conduct their business as now conducted, and to enter into and perform this Agreement. The Borrowing Entities are each in good standing in each jurisdiction in which the

failure to qualify would have a material, adverse effect upon its financial condition, business or properties. The execution and delivery of this Agreement, the Revolving Note and all related documents have been duly authorized and evidence valid and binding obligations of the Borrowers.

8.2 Legally Enforceable Agreement. This Agreement is, and each of the other Loan Documents when delivered under this Agreement will be, legal, valid, and binding obligations of the Borrowers in accordance with their respective terms, except to the extent that such enforcement may be limited by applicable bankruptcy, insolvency, and other similar laws affecting creditors' rights generally.

8.3 Title of Assets and Collateral; Priority of Security Interest. The Borrowers each have good and marketable title to, or valid leasehold interests in, all material properties and assets used in its business, real and personal, and, specifically, to all of the Collateral and the Borrowers will defend the title to the Collateral against all persons and against all claims and demands whatsoever, and the Borrowers shall keep the Collateral subject to no future lien, encumbrance or charge in accordance with Section 10 below. The security interests granted in the Collateral under this Agreement constitute valid first security interests.

8.4 Other Agreements. None of the Borrowers are party to any indenture, loan or credit agreement, or to any lease or other agreement or instrument, or subject to any charter or corporate restriction which could have a material adverse effect upon its business, properties or financial condition, or the ability of the Borrowers to carry out its/their respective obligations under the Loan Documents to which each is a party. The Borrowers are not in default in any material respect in the performance, observance, or fulfillment of any of the material obligations, covenants, or conditions contained in any material agreement or instrument to which it is a party, which default would have a materially adverse effect on the ability of the Borrowers to pay or perform the Obligations.

8.5 Litigation. There is no pending or, to the knowledge of the Borrowers, threatened action or proceeding against any of the Borrowers before any court, governmental agency, or arbitrator, which, if adversely determined in any one case or in the aggregate, would materially and adversely affect the financial condition, properties, or businesses of the Borrowers or the ability of the Borrowers to perform its obligations under the Loan Documents to which it is a party.

8.6 No Defaults. The Borrowers have satisfied all judgments, are not in default with respect to any judgment, writ, injunction, decree, rule or regulation of any court, arbitrator, or Federal, state, municipal, or other governmental authority, commission, board, bureau, agency, or instrumentality, domestic or foreign which would have a material adverse effect on the financial condition, properties or business of the Borrowers.

8.7 Operation of Business. The Borrowers possess all material licenses, permits, franchises, patents, copyrights, trademarks, and trade names, or rights thereto, to conduct its business substantially as now conducted and as presently proposed to be conducted, and the

Borrowers are not in material violation of any valid rights of others with respect to any of the foregoing.

8.8 Taxes. The Borrowers have filed all tax returns (Federal, state, and local) required to be filed and paid all taxes, assessments, and governmental charges and levies thereon to be due, including interest and penalties.

8.9 Environment. The Borrowers have all substantially complied with, and its business, operations, assets, equipment, property, leaseholds, or other facilities are in substantial compliance with, the provisions of all Federal, state, and local environmental, health, and safety laws, codes and ordinances, and all rules and regulations promulgated thereunder, the nonconformity with which would have a materially adverse effect on the ability of the Borrowers to repay or perform the Obligations. The Borrowers have been issued and will maintain all required Federal, state, and local permits, licenses, certificates, and approvals relating to (1) air emissions; (2) discharges to surface water or groundwater; (3) noise emissions; (4) solid or liquid waste disposal; (5) the use, generation, storage, transportation, or disposal of toxic or hazardous substances or wastes (intended hereby and hereafter to include any and all such materials listed in any Federal, state, or local law, code or ordinance, and all rules and regulations promulgated thereunder as hazardous or potentially hazardous); or (6) other environmental, health, or safety matters, the nonconformity with which would have a materially adverse effect on the ability of the Borrowers to repay or perform the Obligations. The Borrowers have not received notice of, nor knows of, facts which constitute any violations of any Federal, state, or local environmental, health, or safety laws, codes or ordinances, and any rules or regulations promulgated thereunder with respect to its businesses, operations, assets, equipment, property, leaseholds, or other facilities. Except in accordance with a valid governmental permit, license, certificate, or approval, there has been no unlawful emission, spill, release, or discharge into or upon (1) the air; (2) soils; (3) surface water or groundwater; or (4) the sewer, septic system or waste treatment, storage or disposal system servicing the premises, of any toxic or hazardous substances or wastes at or from the premises; and, to the Borrowers' best knowledge, accordingly the premises of the Borrowers are substantially free of the unlawful presence of all such toxic or hazardous substances or wastes. There has been no complaint, order, directive, claim, citation, or notice of potential or actual violation by any governmental authority or any person or entity with respect to (1) air emissions; (2) spills releases, or discharges to soils or improvements located thereon, surface water, groundwater or the sewer, septic system or waste treatment, storage or disposal systems servicing the premises; (3) noise emissions; (4) solid or liquid waste disposal; (5) the use, generation, storage, transportation, or disposal of toxic or hazardous substances or waste; or (6) other environmental, health, or safety matters affecting the Borrowers, or their business, operations, assets, equipment, property, leaseholds, or other facilities. The Borrowers have no knowledge that it has any material indebtedness, obligation, or liability, absolute or contingent, matured or not matured, with respect to the storage, treatment, cleanup, or disposal of any solid wastes, hazardous wastes, or other toxic or hazardous substances (including without limitation any such indebtedness, obligation, or liability with respect to any current regulation, law, or statute regarding such storage, treatment, cleanup, or disposal).

9. AFFIRMATIVE COVENANTS.

So long as any Obligation shall remain unpaid or unperformed, the Borrowers will:

9.1 Maintenance of Existence. Preserve and maintain its corporate existence and good standing in the jurisdiction of its incorporation, and qualify and remain qualified as a corporation in each jurisdiction in which the failure of which to qualify would have a material adverse effect on its financial condition, business or properties.

9.2 Maintenance of Records. Keep adequate records and books of account, in which complete entries will be made in accordance with GAAP consistently applied, reflecting all financial transactions of the Borrowers required to be reflected herein by GAAP.

9.3 Maintenance of Properties. Maintain, keep, and preserve all of its material properties (tangible and intangible) necessary or useful in the lawful and ordinary conduct of its business in good working order and condition, ordinary wear and tear and insured casualty loss excepted.

9.4 Conduct of Business. Continue to engage in a business of the same general type as conducted by it on the date of this Agreement, unless otherwise consented to by the Bank, which consent will not be unreasonably withheld.

9.5 Maintenance of Insurance. Obtain and maintain, at the Borrowers' expense, insurance with financially sound and reputable insurance companies or associations in such amounts and covering such risks as are usually carried by companies engaged in the same or a similar business and similarly situated, which insurance shall provide so-called "all-risk" casualty and property damage as well as personal liability insurance including extended coverage, all in amounts of property and casualty insurance and with insurance carriers reasonably approved by the Bank. In no event shall the amounts of property and casualty insurance be less than (i) the lesser of (x) the replacement value of the insurable Collateral or (y) the full face amount of the Loans, and (ii) whatever amounts are necessary to avoid any co-insurance provision therein. Coverage included in the policy or policies insuring the Collateral shall not be less than that encompassed by fire, extended coverage, vandalism and malicious mischief, with perils broadened to include so-called "all risk of physical loss." All policies will contain a standard mortgagee or secured party clause or endorsement (waiving defenses the insurer may have against the Borrowers with respect to any claims for the benefit of the Bank) and will provide that the Bank is loss payee and additional insured for the Assets, and will also provide for a thirty (30) day advance written notice to the Bank of any policy cancellation or material modification or change.

The Bank is and will be authorized and empowered in its sole option to collect and receive or cause to be collected and received for its account the proceeds of any insurance policy covering the Collateral.

"Agreed value" endorsements are also required and must be renewed annually.

General liability insurance coverage must provide a minimum of \$2 Million per occurrence and \$2 Million annual aggregate.

A copy of the full insurance policy must be submitted to Bank after closing.

Co-Insurance will not be allowed.

A standard fire and extended coverage policy with respect to the assets serving as Collateral, in an amount at least equal to the full replacement cost thereof shall be provided by the Borrowers for the Bank.

Any policy of insurance issued pursuant to this Agreement shall be addressed to Westfield Bank ISAA/ATIMA c/o MGA Hazard Tracking, Inc., P.O. Box 8277, Reston, VA 20195.

9.6 Compliance With Laws. Comply in all material respects with all applicable laws, rules, regulations, and orders, such compliance to include, without limitations, paying before the same become delinquent all taxes, assessments, and governmental charges imposed upon it or upon its property; the failure of which would have a material adverse effect on the Borrowers' properties, financial condition, or business.

9.7 Right of Inspection. From time to time and after reasonable, prior notice, the Borrowers shall permit the Bank or any agent or representative thereof to examine the Collateral and the records and books of account of the Borrowers and make copies of and abstracts from the records and books of account of, and visit the properties of, the Borrowers and to discuss the affairs, finances, and accounts of the Borrowers with any of their officers, directors, and independent public accountants.

9.8 Environment. Be and remain in substantial compliance with the provisions of all federal, state, and local environmental, health, and safety laws, codes and ordinances, and all rules and regulations issued thereunder, the nonperformance of which would have a materially adverse effect on the ability of the Borrowers to pay or perform the Obligations; notify the Bank immediately of any notice of an unpermitted discharge of hazardous material or environmental complaint received from any governmental agency or any other party; notify the Bank immediately of an unpermitted discharge of hazardous material from or affecting its premises reportable to any state or federal regulatory agency; immediately contain and remove the same, in compliance with all applicable laws; promptly pay any fine or penalty assessed in connection therewith, except such assessments as are being contested in good faith; after reasonable prior notice, permit the Bank to inspect the premises, to conduct tests thereon, and to inspect all books, correspondence, and records pertaining thereto; and at the Bank's reasonable request, and, only upon identifiable fact that the Borrowers have actually, or likely have, caused a reportable event under M.G.L.c.21E, at the Borrowers' expense, provide a report of a qualified environmental engineer, reasonably satisfactory in scope, form, and content to the Bank, and such other and further assurances reasonably satisfactory to the Bank that the condition has been corrected.

9.9 Place of Business. Promptly notify the Bank in writing of any addition to, change in, or discontinuance of its place of business as specified in the opening paragraph of this Agreement.

9.10 Location of Collateral. Keep all of the Collateral at the address or addresses specified in Exhibit 9.10, with the exception of delivery of Inventory in the normal course of business. The Borrowers shall notify the Bank promptly prior to removal of any Collateral which is not in the ordinary course of business from the location(s) specified in Exhibit 9.10, and shall state in writing when and where such Collateral is to be moved.

9.11 Taxes and Assessments. Pay or cause to be paid all taxes, assessments and other charges of every nature which may be levied or assessed against the Collateral, or for which the Borrowers are liable when due, except as it, in good faith and by appropriate proceedings, shall be contesting the validity or the amount thereof. In the event that the Borrowers fail to pay such taxes, assessments, costs and expenses which the Borrowers are required to pay, or in the event that the Borrowers fail to keep the Collateral free from other security interests, liens or encumbrances in violation of Section 10 below, the Bank may (but shall not be required to) pay any such taxes, assessments, costs and expenses, and any amounts so paid shall constitute additional indebtedness secured hereby. The Borrowers agree that during each and every fiscal year it shall accrue all current tax liabilities, required withholding of income taxes of employees, and required Social Security and unemployment contributions, and pay the same when they shall become due, except such liabilities as are being contested in good faith. The Borrowers further represent and warrant that they have paid all such tax liabilities currently.

9.12 Continuing Obligations of Borrowers. The Borrowers shall execute and deliver to the Bank such instruments, documents, and papers, and shall do all such things from time to time hereafter as the Bank may reasonably request, to carry into effect the provisions and intent of the within Agreement, and to protect and perfect the Bank's security interest in and to the Collateral, and to comply with all applicable statutes and laws. The within obligations on the part of the Borrowers, being unique, shall be specifically enforceable by the Bank.

9.13 Additional Payments. If and only if necessitated upon the Bank, promptly pay the Bank, upon its reasonable demand, such amount as will compensate the Bank for any such additional cost (which determination may be based upon the Bank's reasonable allocation of the aggregate of such costs) resulting if the Bank shall reasonably deem applicable to this Agreement or the Notes (including, in each case, the borrowed and the unused portion thereof) any requirement of any law of the United States of America, any regulation, order, interpretation, ruling or official directive or guideline (whether or not having the force of law) of the Board of Governors of the Federal Reserve System, the Comptroller of the Currency, the Federal Deposit Insurance Corporation or any other board or governmental or administrative agency of the United States of America which shall impose, increase, modify or make applicable thereto or cause to be included in, any reserve, special deposit, calculation used in the computation of regulatory capital standards, assessment or other requirement which imposes on the Bank any cost that is attributable to the maintenance thereof. In the event any such additional cost is a continuing cost, a fee payable to the Bank may be imposed upon the Borrowers periodically for so long as any such additional cost is deemed applicable to the Bank, in an amount determined

by the Bank to be necessary to compensate the Bank for any such additional cost. The determination by any Bank of the existence and amount of any such additional cost shall, in the absence of manifest error, be conclusive. Such additional payments shall accrue and apply only from time of notice from the Bank to the Borrowers.

9.14 Principal Depository. The Borrowers shall each maintain their primary operating and checking account relationships with the Bank at all times that the Loans shall remain outstanding.

9.15 Maintain Professional Management. The Borrowers will maintain business operations and management in substantial similarity with those operations as they exist at the time of closing, unless otherwise consented to by the Bank.

9.16 Subordinated Debt. All debt owed by the Borrowers to any third party shall be fully subordinated to the Loans.

9.17 Maintenance of Collateral. Maintain the Collateral, or such portion of the Collateral which is tangible property, in good condition and repair, ordinary wear and tear excepted, and other than in the ordinary course of business, will not cause the Collateral to be wasted or destroyed in any manner, and will not to the best of the Borrowers' knowledge use the Collateral in violation of any provisions of this Agreement, of any applicable statute, regulation or ordinance, or of any policy insuring the Collateral if such use would have a material and adverse effect on the Borrowers' financial condition, business or properties.

#### 10. NEGATIVE COVENANTS.

So long as any Note shall remain unpaid or any credit accommodation remains in effect hereunder, the Borrowers will not:

10.1 Liens. Create, incur, assume, or suffer to exist, any Lien upon or with respect to any of its properties, whether personal or real, now owned or hereafter acquired, except:

- a. Liens in favor of the Bank;
- b. Liens for taxes or assessments or other government charges or levies if not yet due and payable or, if due and payable, if they are being contested in good faith by appropriate proceedings;
- c. Liens imposed by law, such as mechanics', materialmen's, landlords', warehousemen's, and carriers' Liens, and other similar Liens, securing obligations incurred in the ordinary course of business which are not past due for more than fifteen (15) days or which are being contested in good faith by appropriate proceedings;
- d. Liens under workers' compensation, unemployment insurance, Social Security, or similar legislation;

- e. Liens, deposits, or pledges to secure the performance of bids, tenders, contracts (other than contracts for the payment of money), leases (permitted under the terms of this Agreement), public or statutory obligations, surety, stay, appeal, indemnity, performance or other similar bonds, or other similar obligations arising in the ordinary course of business;
- f. Judgment and other similar Liens arising in connection with court proceedings, provided the execution or other enforcement of such Liens is effectively stayed and the claims secured thereby are being actively contested in good faith and by appropriate proceedings; and
- g. Liens securing purchase money indebtedness undertaken to purchase any asset in an amount not greater than \$75,000 per year.

10.2 Debt. Create, incur, assume, or suffer to exist, any Debt for money borrowed, except:

- a. Debt of the Borrowers under this Agreement or the Note;
- b. Debt of the Borrowers subordinated on terms satisfactory to the Bank under this Agreement and the Notes;
- c. Debt of the Borrowers secured by purchase-money liens permitted herein (e.g. \$75,000 per year or less); this covenant restriction shall not apply to consigned inventory; and/or
- d. Debt to normal and usual trade creditors.

10.3 Mergers and Sale of Assets. Merge with, become merged into, consolidate with or otherwise recapitalize with any other corporation or entity unless the Borrowers are the surviving entities and such merger, consolidation or other recapitalization would not cause a default under any of the documents executed in connection with the Loans, nor will the Borrowers sell, lease, assign, transfer or otherwise dispose of, other than in the ordinary course of business, all or any material portion of its assets, now or hereafter acquired (except for assets which are, from a liquidation value standpoint, obsolete), except with permission of the Bank. Notwithstanding the foregoing, the Borrowers may: (1) sell, lease, assign, transfer, or otherwise dispose of inventory in the ordinary course of business; (2) sell or otherwise dispose of assets under \$75,000 in fair market value; or (3) sell or otherwise dispose of any assets reasonably determined by the Borrowers to be no longer used or useful in the conduct of its business.

10.4 No Loans or Investments. Make no loans to or investments in any individual or business entity, without the prior approval of the Bank, which approval will not be unreasonably withheld, other than:

- a. evidences of indebtedness issued or guaranteed by the United States of America which have a maturity date of not more than one year from the date of acquisition;



- b. certificates of deposit, notes, acceptances and repurchase agreements having a maturity of not more than one year from the date of acquisition by the Bank; and interest bearing accounts in the Bank; and
- c. accounts in any money market mutual fund (e.g., no equities or bonds) having total assets in excess of \$250,000,000, except investments (and their replacements) existing at closing.

10.5 Guaranties, Etc. Assume, guaranty, endorse, or otherwise be or become directly or contingently responsible or liable, (including, but not limited to, an agreement to purchase any obligation, stock, assets, goods, or services, or to supply or advance any funds, assets, goods, or services, or an agreement to maintain or cause such Person to maintain a minimum working capital or net worth, or otherwise to assure the creditors of any Person against loss) for obligations of any Person, except guaranties by endorsement of negotiable instruments for deposit or collection or similar transactions in the ordinary course of business and unless consented to by the Bank, which consent shall not be unreasonably withheld or delayed.

## 11. FINANCIAL STATEMENTS; FINANCIAL COVENANTS.

So long as any Note shall remain unpaid or any credit accommodation or the Letter of Credit Facility remains in effect hereunder:

11.1 Borrowers' Financial Statements. The Borrowers shall provide to the Bank, no later than one hundred eighty (180) days from its fiscal year end, with its consolidated balance sheet, and a consolidated statement of income and cash flows, in reasonable detail, setting forth in each case in comparative form the corresponding figures for the preceding year, prepared in accordance with generally accepted accounting principals consistently applied and certified by the Borrowers' independent public accountant acceptable to the Bank.

11.2 Quarterly Statements. The Borrowers shall also provide the Bank with internally prepared quarterly financial statements including the consolidated income statement and consolidated balance sheets for the Borrowers within sixty (60) days of each quarter's end.

11.3 Financial Covenant. As of fiscal year end 2003 and all subsequent years thereafter, the Borrowers shall maintain the following covenant:

11.3.1 Debt to Net Worth Covenant. The Borrowers must maintain a Maximum Debt to Net Worth Ratio of 2.0 to 1.0. the "Maximum Debt to Worth Ratio" shall be defined as: total liabilities divided by Net Worth. "Net Worth" shall be defined as total Stockholders Equity. Subordinated Debt shall be included in the computation of Net Worth, all in accordance with GAAP. "Subordinated Debt" shall be defined as the promissory notes payable by Pinsly to Anne L. Levine, James E. Levine, Marc R. Levine and Marjorie P. Silver.

11.5 Notice of Litigation. Promptly after the commencement thereof, notice of all actions, suits, and proceedings before any court or governmental department, commission, board, bureau, agency, or instrumentality, domestic or foreign, affecting the Borrowers which, if determined adversely to the Borrowers would have a material adverse effect on the financial condition, properties, or operations of the Borrowers;

11.6 Notice of Defaults and Events of Default. As soon as possible and in any event within five (5) business days after which the Borrowers know or reasonably should have known of the occurrence of each Default or Event of Default, a written notice setting forth the details of such Default or Event of Default and the action which is proposed to be taken by the Borrowers with respect thereto;

11.7 General Information. Such other information respecting the condition or operations, financial or otherwise, of the Borrowers or the Collateral as the Bank may from time to time reasonably request.

## 12. EVENTS OF DEFAULT.

If any of the following events shall occur:

12.1 The Borrowers shall fail to pay the principal of, or interest on, the Obligations, or any amount of the Notes, within ten (10) days from when due and payable;

12.2 Failure to maintain insurance as required in any of the Loan Documents;

12.3 The Borrowers shall fail to perform or observe any term, covenant, or agreement contained herein or in any other Loan Document within thirty (30) days after written notice of such failure (other than failure under Section 12.1 or 12.2 above for which no notice is required);

12.4 Any representation or warranty made by the Borrowers in this Agreement or which is contained in any certificate, document, or other written statement furnished at any time under or in connection with any Loan Document shall prove to have been incorrect, incomplete, or misleading in any material respect on or as of the date made or deemed made;

12.5 Any default on the part of any of the Borrowers shall exist, and shall remain unwaived or uncured beyond the expiration of any applicable notice and/or grace period, under any note, contract, agreement or understanding now existing or hereafter entered into with or for the benefit of the Bank in any capacity or capacities;

12.6 Except as provided herein, dissolution, merger or consolidation of any of the Borrowers;

12.7 Material uninsured loss or theft, substantial damage or destruction, unauthorized sale or encumbrance to or of any material amount of the Collateral in excess of reasonably expected recoveries under insurance policies;

12.8 The unauthorized sale, pledge or encumbrance of any Collateral;

12.9 Failure by any of the Borrowers: (a) to pay any indebtedness for borrowed money (other than as evidenced by the Notes) of such Borrowers as the case may be, or any interest or premium thereon, when due (whether by scheduled maturity, required prepayment, acceleration, demand, or otherwise), or (b) to perform or observe any term, covenant, or condition on its part to be performed or observed under any agreement or instrument relating to any such indebtedness, when required to be performed or observed, if the effect of such failure to perform or observe is to accelerate; or any such indebtedness shall be declared to be due and payable, or required to be prepaid (other than by a regularly scheduled required prepayment), prior to the stated maturity thereof;

12.10 If any of the Borrowers shall become Insolvent;

12.11 One or more judgments, decrees, or orders for the payment of money not covered by insurance in excess of One Hundred Thousand Dollars (\$100,000.00) in the aggregate shall be rendered against any of the Borrowers and such judgments, decrees, or orders shall continue unsatisfied and in effect for a period of twenty (20) consecutive days without being vacated, discharged, satisfied, or stayed or bonded pending appeal;

12.12 This Agreement shall at any time after its execution and delivery and for any reason cease (a) to create a valid and perfected security interest in and to the property purported to be subject to this Agreement; or (b) to be in full force and effect or shall be declared null and void, or the validity or enforceability thereof shall be contested by any of the Borrowers, or any of the Borrowers shall deny having any further liability or obligation under this Agreement;

12.13 If any federal, state, or local agency asserts or creates a Lien upon any or all of the assets, equipment, property, leaseholds, or other facilities of the Borrowers by reason of the occurrence of an unpermitted discharge or an environmental complaint; or if any federal, state, or local agency asserts a claim against the Borrowers and/or its assets, equipment, property, leaseholds, or other facilities for damages or cleanup costs relating to such a hazardous discharge or an environmental complaint; provided, however, that such claim shall not constitute a default if, within ten (10) Business Days of the occurrence giving rise to the claim, (a) the Borrowers can prove to the Bank's satisfaction that the Borrowers has commenced and is diligently pursuing either; (i) a cure or correction of the event which constitutes the basis for the claim, and continues diligently to pursue such cure or correction to completion or (ii) proceedings for an injunction, a restraining order, or other appropriate emergency relief preventing such agency or agencies from asserting such claim, which relief is granted within twenty-one (21) Business Days of the occurrence giving rise to the claim and the injunction, order, or emergency relief is not thereafter resolved or reversed on appeal; and (b) in either of the foregoing events, the Borrowers has posted a bond, letter of credit, or other security satisfactory in form, substance, and amount to both the Bank and the agency or entity asserting the claim to secure the proper and complete cure or correction of the event which constitutes the basis for the claim;

**then**, and in any such event, the Bank may, notwithstanding any time or credit allowed by any instrument evidencing a liability, without notice or demand, declare the outstanding

Notes, all interest thereon, and all other amounts payable under this Agreement to be forthwith due and payable, whereupon the Notes, all such interest, and all such amounts shall become and be forthwith due and payable, without presentment, demand, protest, or further notice of any kind, all of which are hereby expressly waived by the Borrowers. Upon the occurrence and during the continuance of any Event of Default, the Bank is hereby authorized at any time and from time to time, without notice, to exercise any or all of its rights and remedies described in Section 13 below.

13. RIGHTS AND REMEDIES.

In addition to declaring immediately due and payable all amounts represented by the Borrowers' Loan Account, together with any and all additional charges added thereto, the Bank shall, upon the occurrence of any of the above-described Events of Default after any applicable period of cure, have the following rights and remedies:

13.1 The Bank may at any time enter upon the property of the Borrowers and remain upon such property for so long as is reasonably necessary without being liable, unless due to the Bank's negligence or willful misconduct, for any prosecution or damage therefor, and take complete peaceful possession of the Collateral and remove same at the election of the Bank.

13.2 The Bank may exercise all the rights and remedies of a secured party under the Uniform Commercial Code of The Commonwealth of Massachusetts (M.G.L. c. 106) or the applicable Borrowers' State. The Bank may at any time, in its discretion, transfer any securities or other property constituting Collateral into its own name or that of its nominee, and receive the income thereon and hold the same as security for liabilities, or apply it to principal or interest due on liabilities.

13.3 The Bank may enforce the provisions of this Agreement by legal proceedings for the specific performance of any covenant or agreement contained herein, or for the enforcement of any other appropriate, legal or equitable remedy, and may recover damages caused by any breach by any of the Borrowers of the provisions of this Agreement, including court costs, reasonable attorneys' fees, and other costs and reasonable expenses incurred in enforcing the Notes or any of the Obligations of this Agreement.

13.4 The Bank, to the extent any of the Borrowers could legally do so, may use all trademarks, service marks, trade names, trade styles, logos, goodwill, trade secrets, franchises, licenses and patents which any of the Borrowers now has or may hereafter acquire, including the following rights:

- a. the rights in said marks, name, styles, logos and goodwill acquired by the common law of the United States or of any state thereof or under the law of any foreign nation, organization, or subdivision thereof;

- b. the rights acquired by registrations of said marks, names, styles and logos under the statute of any foreign country, or the United States, or any state or subdivision thereof;
- c. the rights acquired in each and every form of said mark, name, style and logo as used by the Borrowers notwithstanding that less than all of such form would be registered and notwithstanding the form of said mark, name and style;
- d. the right to use or license any party to the use of all or any of said marks, names, styles, logos and goodwill in connection with the sale of goods and/or the rendering of services in the conduct of services advertising, promotion and the like anywhere in the world;
- e. the right to use said marks, names, styles, logos and goodwill either in connection with or entirely independent from the Collateral;
- f. the right to assign, transfer and convey a partial interest or the entire interest in any one or more of said marks, names, styles or logos;
- g. the right to seek registration, foreign or domestic, of any of said marks, names, styles or logos which were not registered as of the date hereof or registered subsequently;
- h. the right to prosecute pending trademark applications for foreign or domestic registration (federal or state) of any of said marks, names, styles or logos.

13.5 The Bank may declare all Obligations immediately due and payable, without presentment, demand, protest, hearing or notice of any kind and exercise the remedies of a secured party afforded by the Uniform Commercial Code and other applicable law or by the terms of any agreement between Borrowers and the Bank.

### 13. DEPOSITS.

Any and all deposits or other sums at any time credited by or due from the Bank to any of the Borrowers, and any securities or other property of any of the Borrowers being held by the Bank or on account of any of the Borrowers, may at all times be held and treated as Collateral for any and all obligations of any of the Borrowers to the Bank, whether direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising. The Bank may apply or set-off such deposits or other sums against any obligations during the continuance of an Event of Default, whether or not said obligations or other security held by the Bank is considered by the Bank to be adequate. The Bank, during the continuance of an Event of Default of this Agreement, may sell any such securities or other property held as Collateral for the repayment or performance of such obligations in a commercially reasonable manner.

14. WAIVERS.

The Borrowers waive demand, notice, protest, notice of acceptance of this Agreement, notice of loans made, credit extended, Collateral received or delivered, or any action taken in reliance hereon, and all other demands and notice of any description. With respect to liabilities and Collateral, the Borrowers assent to any extension or postponement of the time of payment or any other indulgence to any substitution, exchange or release of Collateral, to the addition or release of any party or person primarily or secondarily liable, to the acceptance of partial payments thereon and the settlement thereof, all in such manner and at such time or times as the Bank acting in good faith and in a commercially reasonable manner may deem advisable. The Bank shall have no duty as to the collection of Collateral beyond reasonable care and protection, or any income thereon, nor as to the preservation of rights against prior parties, or as to the preservation of any rights pertaining thereto beyond the safe custody thereof. The Bank may exercise its rights with respect to Collateral without resorting or regard to other Collateral or sources of reimbursement for liability. The Bank shall not be deemed to have waived any of its rights upon or under liabilities or Collateral, unless such waiver be in writing and signed by the Bank. No delay or omission on the part of the Bank in exercising any right shall operate as a waiver of such right or any other right. A waiver on any one occasion shall not be construed as a bar to or waiver of any right on any future occasion. All rights and remedies of the Bank on liabilities or Collateral, whether evidenced hereby or by any other instrument or papers, shall be cumulative and may be exercised singularly or concurrently.

15. MISCELLANEOUS.

15.1 Uniform Commercial Code Applicable. To the extent applicable, the Uniform Commercial Code of the Commonwealth of Massachusetts shall govern the security interest provided for herein. In connection therewith, the Borrowers shall take such steps and execute and deliver such financing statements and other papers as the Bank may from time to time request. If, by reason of location of Collateral or otherwise, the creation, validity or perfection of the security interest provided for herein are governed by the law of a jurisdiction other than Massachusetts, the Borrowers shall take such steps and execute and deliver such papers as the Bank may from time to time request to comply with the Uniform Commercial Code and such other laws of other states or the federal government as are appropriate. Notwithstanding such intention and agreement, the Bank and the Borrowers recognize that the laws of each applicable organizational jurisdiction shall apply to the rights and remedies of the Bank in realizing upon the security hereby granted, for the purpose of securing the payment and performance of Obligations under the Loan Documents

15.2 Amendments, Etc. No amendment, modification, termination, or waiver of any provision of any Loan Document to which the Borrowers are a party, nor consent to any departure by the Borrowers from any Loan Document to which it is a party, shall in any event be effective unless the same shall be in writing and signed by the Bank, and then such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

15.3 Notices, Etc. All notices and other communications provided for under this Agreement and under the other Loan Documents to which the Borrowers are a party shall be in writing (including telegraphic, telex, and facsimile transmissions) and mailed by registered or certified mail, return receipt requested, or transmitted or delivered:

if to the Borrowers only to the following:

Pinsly Railroad Company  
53 Southampton Road  
Westfield, MA 01085  
Attention: John P. Levine, President

with a copy to:

Paul S. Doherty, Esquire  
Doherty, Wallace, Pillsbury and Murphy, P.C.  
One Monarch Place, Suite 1900  
Springfield, MA 01144-1900

and if to the Bank, at its address at:

Westfield Bank  
141 Elm Street  
Westfield, MA 01085  
Attention: Allen J. Miles III, Vice President

with a copy to:

Paul M. Maleck, Esq.  
Doherty, Wallace, Pillsbury & Murphy, P.C.  
One Monarch Place, Suite 1900  
Springfield, MA 01144-1900

or, as to each party, at such other address as shall be designated by such party in a written notice to the other party complying as to delivery with the terms of this Section. Except as is otherwise provided in this Agreement, all such notices and communications shall be effective when deposited in the mails as provided above or delivered to the receiving party.

15.4 No Waiver. No failure or delay on the part of the Bank in exercising any right, power, or remedy hereunder shall operate as a waiver thereof; nor shall any single or partial exercise of any such right, power, or remedy preclude any other or further exercise thereof or the exercise of any other right, power, or remedy hereunder. The rights and remedies provided herein are cumulative and are not exclusive of any other rights, powers, privileges, or remedies, now or hereafter existing, at law or in equity or otherwise.

15.5 Survival. All covenants and agreements contained herein shall survive the execution and delivery of this Agreement, the Notes and any other agreements or documents required for this transaction and shall continue in force until the Loans are no longer outstanding.

15.6 Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the Borrowers and the Bank and their respective successors and assigns, except that the Borrowers may not assign or transfer any of its rights under any Loan Document to which the Borrowers are a party without the prior written consent of the Bank.

15.7 Costs, Expenses, and Taxes. The Borrowers agree to pay on demand all costs and expenses, reasonably incurred by the Bank in connection with the filing of the Loan Documents, and of any amendment, modification, or supplement to the Loan Documents. The Borrowers agree to pay all such costs and expenses, including court costs, reasonably incurred in connection with enforcement of the Loan Documents, or any amendment, modification, or supplement thereto, whether by negotiation, legal proceedings, or otherwise. In addition, the Borrowers shall pay any and all fees payable or determined to be payable in connection with the filing, and recording of any of the Loan Documents and the other documents to be delivered under any such Loan Documents, and agree to hold the Bank harmless from and against any and all liabilities with respect to or resulting from any delay in paying or omission to pay such fees. This provision shall survive termination of this Agreement. The Bank shall pay for the costs of the appraisal, site assessment (but not remediation, if needed), flood search, tax monitoring fee and its legal fees. All other reasonable expenses connected with the Loan, including without limitation the insurance, Borrower's counsel fees, and any other fees or expenses relating to the Loans are to be paid by the Borrowers whether the Loans close or not.

15.8 Integration. This Agreement and the Loan Documents contain the entire agreement between the parties relating to the subject matter hereof and supersede all oral statements and prior writings with respect thereto.

15.9 Indemnity. The Borrowers hereby agree to defend, indemnify, and hold the Bank harmless from and against any and all claims, damages, judgments, penalties, costs, and expenses (including reasonable attorney fees and court costs now or thereafter arising from the aforesaid enforcement of this clause) arising directly or indirectly from the activities of the Borrowers, their predecessors in interest, or third parties with whom it has a contractual relationship, or arising directly or indirectly from the violation of any environmental protection, health, or safety law, whether such claims are asserted by any governmental agency or any other person except for those arising from gross negligence or intentional misconduct caused by Bank. This indemnity shall survive termination of this Agreement.

15.10 Governing Law. This Agreement shall be governed by, and construed in accordance with, (except for conflict of law principles) the laws of The Commonwealth of Massachusetts.

15.11 Severability of Provision. Any provision of any Loan Document which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions of



such Loan Document or affecting the validity or enforceability of such provision in any other jurisdiction.

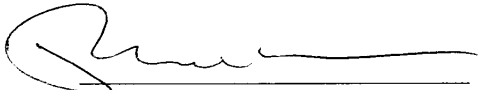
15.12 Captions, Counterparts and Modifications. The captions of this Agreement are for convenience only and shall not affect the construction hereof. This Agreement may be executed in several counterparts, each of which shall be deemed an original, but may not be terminated or modified orally.

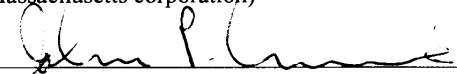
15.13 Jury Trial Waiver. THE BANK AND THE BORROWERS HEREBY WAIVE TRIAL BY JURY IN ANY ACTION, PROCEEDING, CLAIM, OR COUNTERCLAIM, WHETHER IN CONTRACT OR TORT, AT LAW OR IN EQUITY, ARISING OUT OF OR IN ANY WAY RELATED TO THIS AGREEMENT OR THE LOAN DOCUMENTS. NO OFFICER OF THE BANK HAS AUTHORITY TO WAIVE, CONDITION, OR MODIFY THIS PROVISION.

END OF AGREEMENT EXCEPT FOR SIGNATURE PAGE


IN WITNESS WHEREOF, the parties have hereunto set their hands and seals to this Agreement the day and year first above written.

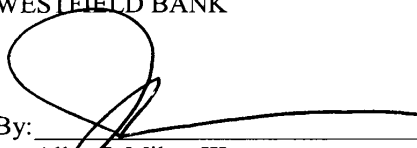
PINSLY RAILROAD COMPANY  
ARKANSAS MIDLAND RAILROAD  
COMPANY, INC.  
DEER PARK RAIL SERVICES, INC.  
FLORIDA CENTRAL RAILROAD COMPANY, INC.  
FLORIDA MIDLAND RAILROAD COMPANY, INC.  
FLORIDA NORTHERN RAILROAD  
COMPANY, INC.  
RAILROAD DISTRIBUTION SERVICES, INC.  
(a Florida corporation)  
PIONEER VALLEY RAILROAD COMPANY, INC.  
RAILROAD DISTRIBUTION SERVICES, INC.  
(an Arkansas corporation)  
RAILROAD DISTRIBUTION SERVICES, INC.  
(a Massachusetts corporation)

  
\_\_\_\_\_  
Witness

By:   
\_\_\_\_\_  
John P. Levine  
as President of each of the above-named  
Borrowers

THE BANK:  
WESTFIELD BANK

  
\_\_\_\_\_  
Witness

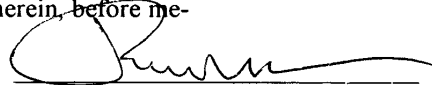
By:   
\_\_\_\_\_  
Allen J. Miles, III  
Its Vice President,

COMMONWEALTH OF MASSACHUSETTS

Hampden, ss.

May 28, 2003

Then personally appeared the above-named John P. Levine, President of each of the above-named Borrowers and acknowledged the foregoing instrument to be his free act and deed and the free act and deed of each of the Borrowers named herein, before me-



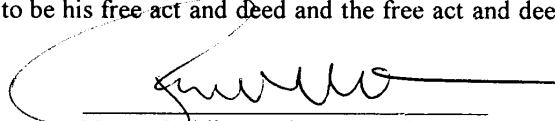
Notary Public: Paul M. Maleck  
My Commission Expires: 7/24/03

COMMONWEALTH OF MASSACHUSETTS

Hampden, ss.

May 28, 2003

Then personally appeared the above-named Allen J. Miles, III, Vice President of Westfield Bank and acknowledged the foregoing instrument to be his free act and deed and the free act and deed of Westfield Bank, before me-



Notary Public: Paul M. Maleck  
My Commission Expires: 7/24/03

## SCHEDULE A

a. All goods, fixtures, inventory, furnishings, equipment, machinery, chattels, accounts, accounts receivables, documents, instruments, payment rights, software, license fees, commercial deposit accounts, letter of credit rights, chattel paper and general intangibles, including payment intangibles and supporting obligations now owned or hereafter acquired by the Borrowers, all renewals or replacements thereof, articles in substitution thereof and parts therefor; all accessories, proceeds and profits thereof, including insurance proceeds; and all of the estate, right, title and interest of the Borrowers; wherever located, in and to all personal property of any nature whatsoever, now owned or hereafter acquired. The Debtors' Rolling Stock, listed on Schedule A-1, is also included in the Collateral.

Nothing contained herein, however, shall obligate the Bank to perform any obligations of the Borrowers unless it so chooses.

b. All rents, incomes, profits, revenues, royalties, bonuses, rights, accounts, contract rights, general intangibles and benefits under any and all leases or tenancies now existing or hereafter created on all of the premises where the Borrowers now or hereafter conducts its business (the "Premises"), or any part thereof with the right to receive and apply the same to the obligations of the Borrowers to the Bank, and the Bank may demand, sue for and recover such payments but shall not be required to do so.

c. All judgements, awards of damages and settlements hereafter made as a result of or in lieu of any taking of the Premises or any part thereof or interest therein under the power of eminent domain, or for any damage (whether caused by such taking or otherwise) to the Premises or the improvements thereon or any part thereof or interest therein, including any award for change of grade of streets.

d. All of Borrowers' right, title and interest in any and all claims to rebates, refunds, and abatements of real estate taxes pertaining to the Premises, or any portion thereof, with respect to tax periods arising at any time prior to the discharge hereof even though such taxes may relate to periods before the execution hereof, which rebates, refunds and abatements shall in the case of a default hereunder be applied to the obligations.

e. All other personal property of the Borrowers which constitutes equipment or other goods located at the Premises or any part thereof.

f. All proceeds of the conversion, voluntary or involuntary, of any of the foregoing into cash or liquidated claims.

g. Excluding herefrom the Debtors' real estate interests, motor vehicles and Investment Portfolio (as defined in the Loan Agreement).

All terms used herein which are defined in Article 1 or Article 9 of the Uniform Commercial Code, as enacted in Massachusetts, shall have the meaning given therein unless otherwise defined.

**SCHEDULE A-1**  
PINSLY RAILROAD COMPANY AND SUBSIDIARIES  
ROLLING STOCK

System	Road #	Company Name	Description	Reporting Mark	Model	Acquisition Date
7	077	ARKANSAS MIDLAND RAILROAD	LOCO #707	AKMD707	GP-8	03/01/92
5	077	ARKANSAS MIDLAND RAILROAD	LOCO #703	AKMD703	GP-8	03/01/92
4	077	ARKANSAS MIDLAND RAILROAD	LOCO #700	AKMD700	GP-8	03/01/92
47		ARKANSAS MIDLAND RAILROAD	CABOOSE			03/01/92
50		ARKANSAS MIDLAND RAILROAD	BOX CAR #2-OFFICE			
75		ARKANSAS MIDLAND RAILROAD	BOX CAR #1-OFFICE			
8	077	ARKANSAS MIDLAND RAILROAD	LOCO #722	AKMD722	GP-8	03/01/92
9	077	ARKANSAS MIDLAND RAILROAD	LOCO #728	AKMD728	GP-8	03/01/92
11	077	ARKANSAS MIDLAND RAILROAD	LOCO #918	AKMD918	GP-8	03/01/02
12	077	ARKANSAS MIDLAND RAILROAD	LOCO #726	AKMD726	GP-8	03/01/92
40		ARKANSAS MIDLAND RAILROAD	PUSH CART AL-92 (2 PCS)			09/23/92
44	077	ARKANSAS MIDLAND RAILROAD	LOCO #908	AKMD908	GP-8	11/12/92
175	077	ARKANSAS MIDLAND RAILROAD	LOCO #400	AKMD400	GP-10	12/09/99
176	077	ARKANSAS MIDLAND RAILROAD	LOCO #414	AKMD414	GP-10	12/09/99
213	077	ARKANSAS MIDLAND RAILROAD	LOCO #2500	AKMD2500	GP-35	06/17/02
225		ARKANSAS MIDLAND RAILROAD	6 BOXCARS			12/23/02
226	986	ARKANSAS MIDLAND RAILROAD	LOCO #2501	FCEN207	GP-35	04/25/03
18	986	FLORIDA CENTRAL RAILROAD	LOCO #53	FCEN53	CF-7	09/01/87
27		FLORIDA CENTRAL RAILROAD	BOXCAR			04/01/88
29		FLORIDA CENTRAL RAILROAD	CABOOSE			12/01/88
30		FLORIDA CENTRAL RAILROAD	BOXCAR			12/01/88
31		FLORIDA CENTRAL RAILROAD	BOXCAR - DEPOT			01/01/89
4	986	FLORIDA CENTRAL RAILROAD	LOCO #47	FCEN47	CF-7	06/01/89
10	986	FLORIDA CENTRAL RAILROAD	LOCO #55	FCEN55	GP-7	09/01/89
11	986	FLORIDA CENTRAL RAILROAD	LOCO #57	FCEN57	GP-7	09/01/89
34		FLORIDA CENTRAL RAILROAD	FLAT CAR			09/06/90
84	986	FLORIDA CENTRAL RAILROAD	LOCO #63	FCEN63	CF-7	07/01/93
92		FLORIDA CENTRAL RAILROAD	CABOOSE			10/30/94
93		FLORIDA CENTRAL RAILROAD	CABOOSE			10/30/94
99	986	FLORIDA CENTRAL RAILROAD	LOCO #49	FCEN49	CF-7	02/24/95

PINSLY RAILROAD COMPANY AND SUBSIDIARIES  
ROLLING STOCK

System	Road #	Company Name	Description	Reporting Mark	Model	Acquisition Date
104		FLORIDA CENTRAL RAILROAD	DINNER CAR #303			09/01/96
122	986	FLORIDA CENTRAL RAILROAD	LOCO #65	FCEN65	CF-7	03/24/97
139	986	FLORIDA CENTRAL RAILROAD	LOCO #50	FCEN50	CF-7	06/30/98
151		FLORIDA CENTRAL RAILROAD	BALLAST DOORS			02/22/99
153	986	FLORIDA CENTRAL RAILROAD	LOCO #56	FCEN56	CF-7	05/15/99
176		FLORIDA CENTRAL RAILROAD	SAM 1899			10/31/01
192	077	FLORIDA CENTRAL RAILROAD	LOCO #493	AKMD493	CF-7	12/15/02
8		FLORIDA MIDLAND RAILROAD	CABOOSE			10/01/87
12		FLORIDA MIDLAND RAILROAD	BOX CAR			02/01/88
36	611	PIONEER VALLEY RAILROAD	LOCO #2558	PVRR2558	CF-7	07/01/85
37	611	PIONEER VALLEY RAILROAD	LOCO #2597	PVRR2597	CF-7	07/01/85
46	611	PIONEER VALLEY RAILROAD	LOCO #2647	PVRR2647	CF-7	07/01/86
40		PIONEER VALLEY RAILROAD	BOX CAR			06/01/88
108		PIONEER VALLEY RAILROAD	10 BOXCARS			03/20/98
128		PIONEER VALLEY RAILROAD	DINNER CAR #302			09/01/01

**EXHIBIT 2.1**

**DEMAND REVOLVING BUSINESS CREDIT NOTE**

EXHIBIT 3.1

FORM OF APPLICATION FOR ISSUANCE OF LETTERS OF CREDIT

FORM OF LETTERS OF CREDIT



EXHIBIT 9.10

ADDRESSES FOR LOCATION OF COLLATERAL

Name of Entity	Address
Pinsly Railroad Company, Inc.	53 Southampton Road Westfield, MA 01085
Railroad Distribution Services, Inc.	100 Springdale Road Westfield, MA 01085
Pioneer Valley Railroad Company, Inc.	100 Springdale Road Westfield, MA 01085
Florida Northern Railroad Company, Inc.	3001 Orange Avenue Plymouth, FL 32768
Florida Midland Railroad Company, Inc.	3001 Orange Avenue Plymouth, FL 32768
Florida Central Railroad Company, Inc.	3001 Orange Avenue Plymouth, FL 32768
Railroad Distribution Services, Inc.	Bartow Municipal Airport Highway 17N, Building 405-A Bartow, FL 33830
Arkansas Midland Railroad Company, Inc.	314 Reynolds Road Building 41 Malvern, AR 72104
Railroad Distribution Services, Inc.	314 Reynolds Road Building 41 Malvern, AR 72104
Deer Park Rail Services, Inc.	53 Southampton Road Westfield, MA 01085